UK Private Motor Insurance: Market Dynamics and Opportunities

Description:
Summary
The private motor insurance market has grown in GWP following three years of successive decline. This change is primarily a result of premiums rising rapidly over 2015 in addition to a growing motor parc. Insurers raised their premiums in response to the impact falling rates in anticipation of LASPO had on market profitability. Insurers have also had to pass on a 3.5 percentage point IPT rise to 9.5% to customers.

COR remained steady at just above 100% in 2015, but continues to be strengthened by large reserve releases. However, with reserves developed over the profitable period of 2011 to 2013 running out it is forecast that COR will rise in 2016. While claims fell significantly in 2013 and 2014 due to the implementation of LASPO, claims have since stabilized as the market has adapted to legislative changes. Despite the significant decline in road traffic accidents, whiplash claims remain incredibly high and fraud is still a significant issue.

The government and regulatory bodies are introducing new reforms in order to reduce claims costs so insurers can pass on the savings to customers. The industry seeks to impose tougher regulation on the role claims management companies and solicitors play in encouraging claims and also confront the UKs whiplash epidemic. Proposed government reforms include an increase of the small claims track limit and the removal of general damages for minor soft-tissue injuries; however, it is uncertain when legislation will be introduced. While reforms have the potential to create an immediate effect, telematics and driverless cars will cause claims to fall in the longer term.

Key Findings

- GWP for the private motor insurance market grew by 4.2% to £10.8bn in 2015.
- COR fell slightly by 0.2 percentage points to 101.3% in 2015.
- Motor insurance premiums have risen above pre-LASPO levels.
- Gross claims incurred have stabilized, only falling by 1.9% in 2015.

Synopsis
The report “UK Private Motor Insurance: Market Dynamics and Opportunities” report provides an in-depth analysis of the UK private motor insurance market. It looks at market size and performance ratios as well as changes in premiums, claims, road casualties, regulations, and opportunities. It provides a thorough overview of the market along with future forecasts.

Reasons To Buy

- Benchmark yourself against the rest of the market. Ensure you remain competitive as new innovations and insurance models begin to enter the market.
- Be prepared for how regulation will impact the private motor insurance market over the next few years.

Contents:
1. Executive Summary
   - The next few years will be pivotal as new reforms seek to reduce claims costs
   - Key findings
   - Critical success factors

2. Market Dynamics
   - Introduction
   - Private motor insurance GWP is in growth after three years of continued decline
- The total motor insurance market has grown by 3.3% in the last year
- The private motor insurance market grew by 4.2% in GWP to £10.8bn in 2015
- Comprehensive and non-comprehensive policies have maintained market share
- The Lloyd's of London market accounted for 3.6% of private motor insurance GWP
- Reserve releases and a lower expense ratio improved COR in 2015
- COR for the private motor market fell slightly to 101.3% in 2015
- An annual decline in the expense ratio led to a fall in COR despite an increase in loss ratio
- Reserve releases increased by 4.9% in 2015, providing a boost to COR
- Motor insurance premiums grew over 2015
- Motor insurance premiums have risen above pre-LASPO levels
- Comprehensive and non-comprehensive premiums have stabilized in Q1 2016
- Premiums are expected to continue rising, but at a slower rate throughout 2016
- Motor insurance premiums for older drivers are on the rise
- Claims have stabilized as the market has found ways to adapt to LASPO
- The expected LASPO benefits of lower claims costs and frequencies did not fully materialize
- Gross claims incurred have stabilized, only falling by 1.9% in 2015
- Bodily injury claims have the highest average cost for motor insurers
- Whiplash claims account for up to 80% of motor personal injury claims numbers
- Fraud remains a significant issue
- The number of RTA casualties will continue to fall
- The number of car, motorcycle, and pedestrian RTA casualties is falling
- The number of pedal cycle road accident casualties may fall for the first time in 2015
- The UK motor parc continues to grow
- The usage of cars and taxis reached a seven-year high in 2015

3. The Market Going Forward
- New legislation could lead to falling premiums and market GWP
- The future of the private motor insurance market is uncertain
- A growing UK population will increase the number of motor insurance policies in force
- Unless claims costs fall, motor insurance premiums will remain high
- Insurers will be more realistic in lowering premiums since LASPO did not deliver
- IPT will rise to 10% in October 2016
- The government is making a second attempt at reforms with new legislation
- The benefits of LASPO did not fully materialize
- Government reforms are estimated to save motor insurers £1bn a year
- The personal injury small claims track limit is proposed to increase from £1,000 to £5,000
- The government proposes to end cash compensation for minor soft-tissue injuries
- MedCo will strengthen as initial reports find MROs playing the system
- New regulation seeks to tackle nuisance calls as a result of the failed referral fee ban
- Regulation of CMCs will be passed from the MoJ to the FCA
- The success of reforms will be dependent on how the market responds
- Telematics and driverless cars will cause falls in claims costs in the longer term
- Car technology will take time to penetrate the market
- Telematics policies are predicted to reach an "opt-out" model by 2025
- Driverless cars will take longer to enter the market
- The Queen announced a new bill to support the development of driverless cars
- The frequency of accidents will fall but cars will become more expensive to repair
- Connected cars will uncover exaggerated and fraudulent claims
- The sharing economy may influence motor insurance policies in the future
- Guevara launched P2P car insurance in the UK, but it has yet to take off
- Pay-per-mile car insurance policies would complement car sharing

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